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UNCLAS SECTION 01 OF 02 BOGOTA 012960

SIPDIS

PLEASE PASS TO TREASURY OASIA/MDM: J. FRANCO AND
EB/IFD/OMA: L. GALLAGHER

E.O. 12958: N/A

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SUBJECT: TRANSPARENCY OF COLOMBIAN BUDGET/MILITARY SPENDING

REF: SECSTATE 239929

1. (U) Per Secstate 239929, post has spoken to appropriate Colombian government authorities and has responses to questions posed by Washington.

2. (U) Military Expenditures are audited by the National Comptroller, which works on an annual cycle to audit each aspect of military expenditures. There are five types of auditing modalities. A regular audit is performed for new entities (first-time audits) or entities that have not received recent audits. Abbreviated audits are performed on a yearly basis for most entities. Special audits are performed on specific processes such as audits on classified military spending. Account audits are performed for very small entities. Finally, follow-up audits are performed on entities that face a critical situation or those that have already been audited and have committed to special improvement plans. Assigned auditors submit their auditing reports to multidisciplinary teams of economists, lawyers, and generals to evaluate a strategy and the information they have received. They determine the deficiencies, determine linkages to problems, analyze causes of deficiencies, determine the impact of deficiencies, determine if the problems are sporadic or reoccurring, and evaluate the evidence. The auditing teams are obliged to inform the entities that receive the audits about their findings. The audited entities are also mandated to apply corrective measures immediately after receiving auditing reports (they have 3 days to respond to the National Comptroller after receiving the report).

3. (U) At the regional level, 31 departmental offices perform audits on military units throughout the country. Those regional offices consist of groups of auditors supervised by regional managers who report to the National Comptroller's Office at the central level. At the central level, the National Comptroller assigns 5 auditors for the Army, 5 for the Navy, 5 for the Air Force, 4 for the National Police, 4 for the DAS (Administrative Security Department), and 3 for the other entities related to security such as DISAN (Defense Sanitary Directorate) and the Superintendence of Private Vigilance. Auditing of classified security spending is done separately on a total of 11 entities (including Army, Navy, Air Force, Police, DAS, INPEC, DNE, Prosecutor General's Office, and a few others). A total of 7 auditors are assigned to classified defense spending. As mentioned above, these auditors report to working teams at the Comptroller's office who evaluate and measure the impact of the findings and report to the audited entities, judicial and legislative authorities for corrective actions and political control.

4. (U) The audits are reported to the audited entities, Congress and the President. While the Contraloria is the only entity that approves the audits, the President usually meets with the Comptroller to discuss the results. If the auditing reports conclude that there are grounds for initiating disciplinary or penal investigations, then the audits are also reported to the Prosecutor General or the Attorney General Offices accordingly.

5. (U) Apart from the military authorities, some civilian entities make up part of the defense and security sector including the Military Hospital, Military Club, Military University, Civilian Defense, Indumil (Military Industry), Satena (Airline), Superintendence of Private Vigilance, DAS (Administrative Department of Security), INPEC (Penitentiary Institute), National Police, DNE (National Drugs Directorate) and others. The National Comptroller audits all of these civilian entities.

6. (U) There is an existing framework for conducting annual audits of military expenditures. The Comptroller performs these audits annually, starting in August and ending in June. 97 percent of the military budget is audited every year. The auditing process by the National Comptroller is a standard procedure that has been certified by ISO 9000. The auditing is based on past auditing reports and on information received from the entities receiving the audits. Audits consist of three phases: planning, execution, and reporting. The planning is documented in a General Auditing Plan, which determines specific dates and entities to be audited. During

execution, auditors collect evidence and evaluate the evidence. The reporting consists of producing a report with the findings of the audits performed. There is an instituted policy that requires these audits.

17. (U) One of the main objectives of the auditing process is to measure efficacy. However, in the defense sector, many of the objectives are hardly measurable. For example, a certain amount of military operations were performed to maintain peace or fight against terrorism, but there is no certain way of measuring what the situation would have been in the absence of such operations. Some deficiencies are also present in the process of collecting information. The entities that receive the audits sometimes use different accounting methods and in some cases information is not submitted on time. There is classified material that can not be fully audited because of the sensitive nature of the data. Additionally, there is no legislation that regulates the use of classified spending or that provides management criteria for classified budgets. These deficiencies do not appear to be intentional, and likely are the result of restrictions related to security concerns or lack of mechanisms to verify the information received.

18. (U) Colombia's defense budget includes the police, Ministry of Defense (Armed Forces) and DAS (Dept. of Administrative Security). The only significant off-budget military receipts are those for Plan Colombia, which are audited because the U.S-Colombia cooperation agreement specifically requires that audits be performed on such funds. Other off-budget military receipts include the Military Forces, own resources and other international cooperation funds, neither of which represent significant amounts.

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